

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Littlefield Public Schools</b>	County <b>Emmet</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>7/29/05</b>	Date Accountant Report Submitted to State: <b>10/27/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

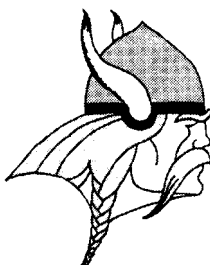
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132])
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241)
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations	✓		
Reports on individual federal financial assistance programs (program audits)			✓
Single Audit Reports (ASLGR)			✓

Certified Public Accountant (Firm Name) <b>Rehmann Robson</b>			
Street Address <b>902 S. Huron Street, PO Box 250</b>		City <b>Cheboygan</b>	State <b>MI</b>
		ZIP <b>49721</b>	
Accountant Signature <i>Annette Eustice, CPA, CGFM</i>			Date <b>10/27/05</b>



HOME OF THE VIKINGS

**LITTLEFIELD PUBLIC SCHOOL**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2005**

# **LITTLEFIELD PUBLIC SCHOOL**

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**For the Year Ended June 30, 2005**

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## **INDEPENDENT AUDITORS' REPORT**

July 28, 2005

Board of Education  
Littlefield Public School  
Alanson, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of ***Littlefield Public School***, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of ***Littlefield Public School's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of ***Littlefield Public School*** as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2005, on our consideration of ***Littlefield Public School's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***Littlefield Public School's*** basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Littlefield Public School (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$1,313,666 (*net assets*). Of this amount, \$398,114 (*unrestricted net assets*) may be used to meet the District's ongoing obligations and \$74,714 is reserved for debt service.
- The government's total net assets decreased by \$210,134.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$812,151, a decrease of \$107,141 in comparison with the prior year. Approximately 91%, or \$737,437, is *available for spending* at the District's discretion (*unreserved fund balance*). Of the unreserved fund balance, 38% or \$276,762, has been designated for capital improvements and retirement benefits.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$439,400 or 12% of total General Fund expenditures (excluding transfers out).
- The District's total debt decreased by \$48,575 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, supporting services, food services and athletics. The District has no business-type activities as of and for the year ended June 30, 2005.

The District-wide financial statements can be found on pages 11-12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be the only major fund. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund and each special revenue fund. A budgetary comparison statement has been provided for the General Fund herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found on pages 13-17 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The only fiduciary fund of the District is an agency fund, which does not have a measurement focus.

The basic fiduciary fund financial statements can be found on page 18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 19-31 of this report.



**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining fund and other statements and schedules can be found on pages 32-40 of this report.

### **District-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded its liabilities by \$1,313,666 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (64%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students it serves; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance, (30% or \$398,114), is *unrestricted net assets* and is available for spending at the District's discretion.

#### **Littlefield Public School Condensed Statement of Net Assets**

	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>Assets</b>		
Current assets	\$1,294,229	\$1,306,282
Capital assets, net	<u>3,971,358</u>	<u>4,161,701</u>
<b>Total assets</b>	<u><b>5,265,587</b></u>	<u><b>5,467,983</b></u>
<b>Liabilities</b>		
Current and other liabilities	797,415	659,331
Long-term liabilities outstanding	<u>3,154,506</u>	<u>3,284,852</u>
<b>Total liabilities</b>	<u><b>3,951,921</b></u>	<u><b>3,944,183</b></u>
<b>Net assets</b>		
Invested in capital assets, net of related debt	840,838	801,181
Restricted	74,714	93,168
Unrestricted	<u>398,114</u>	<u>629,451</u>
<b>Total net assets</b>	<u><b>\$1,313,666</b></u>	<u><b>\$1,523,800</b></u>

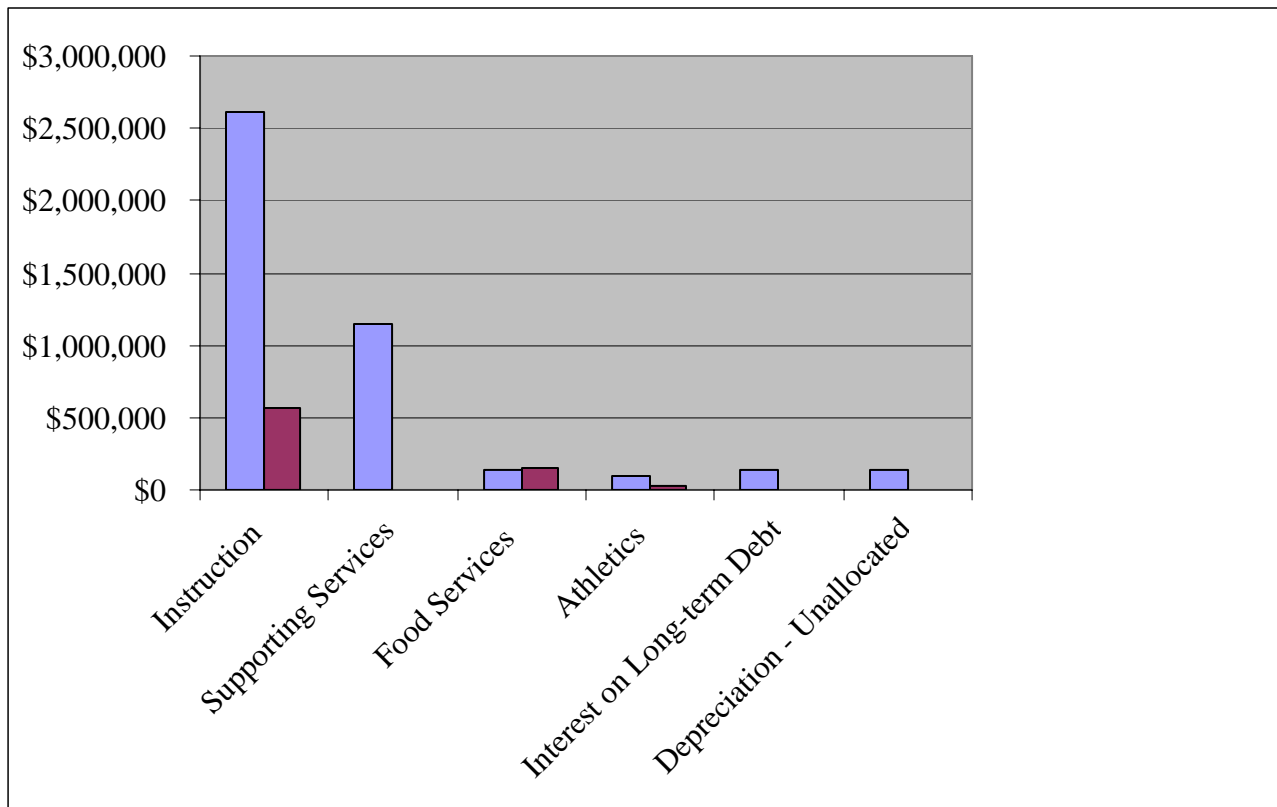
The District's net assets decreased by \$210,134 during the current fiscal year. Most of this decrease is due to four new retirement incentive agreements signed during the current fiscal year. The remainder is due to the fewer than anticipated students, no increase in the state aid per student allotment and higher than anticipated expenditures.

**Littlefield Public School**  
**Condensed Statement of Changes in Net Assets**

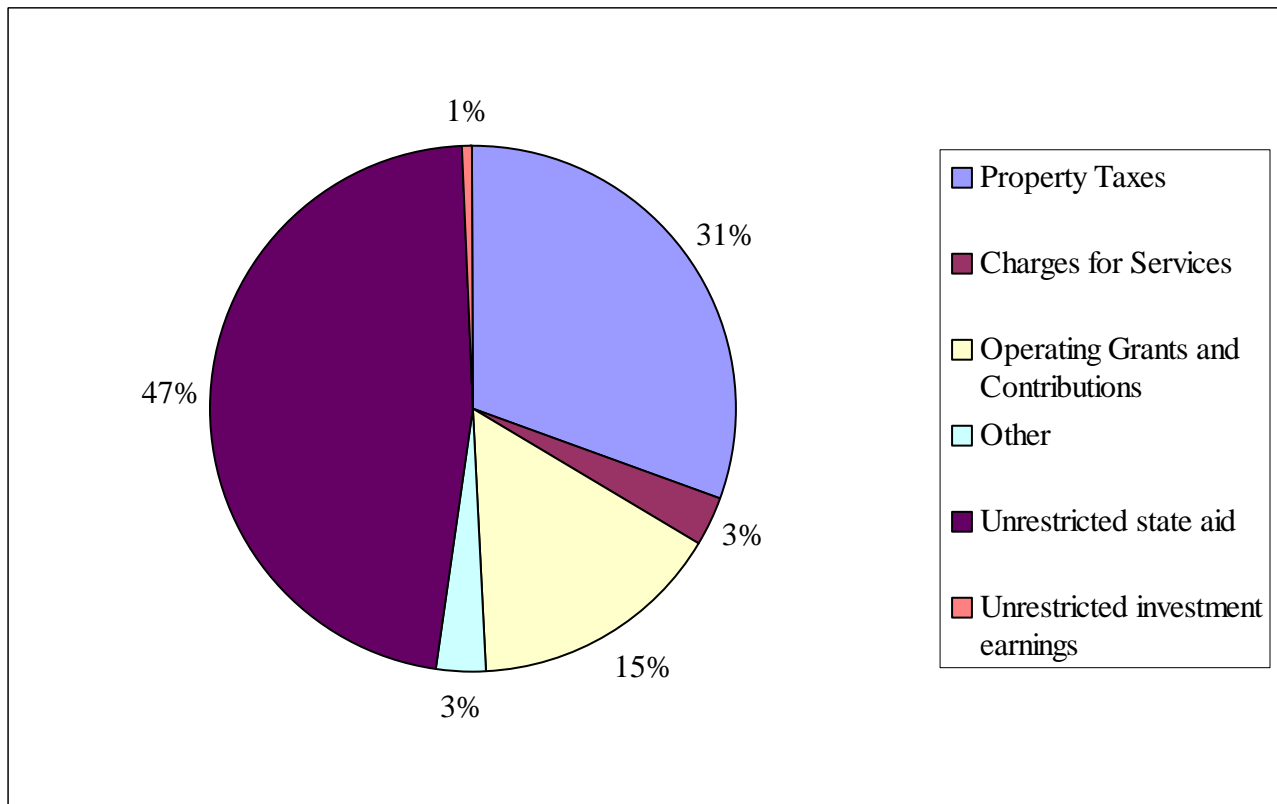
	<u><b>2005</b></u>	<u><b>2004</b></u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 127,235	\$ 173,925
Operating grants and contributions	624,918	675,829
General revenues		
Property taxes	1,248,075	1,202,383
Unrestricted state aid	1,930,602	2,120,779
Unrestricted investment earnings	20,551	11,772
Other	<u>127,968</u>	<u>100,920</u>
<b>Total revenues</b>	<u><b>4,079,349</b></u>	<u><b>4,285,608</b></u>
<b>Expenses</b>		
Instruction	2,617,890	2,535,592
Support services	1,152,065	1,124,272
Food service	137,637	142,549
Athletics	101,584	103,543
Interest on long-term debt	136,803	144,705
Depreciation – unallocated	<u>143,504</u>	<u>163,234</u>
<b>Total expenses</b>	<u><b>4,289,483</b></u>	<u><b>4,213,895</b></u>
<b>Change in net assets</b>	<b>(210,134)</b>	<b>71,713</b>
Net assets, beginning of year (as restated - 2004)	<u>1,523,800</u>	<u>1,452,087</u>
<b>Net assets, end of year</b>	<u><b>\$ 1,313,666</b></u>	<u><b>\$ 1,523,800</b></u>

**Governmental activities.** Governmental activities decreased the District's net assets by \$210,134.

### Expenses and Program Revenues - Governmental Activities



### Revenues by Source - Governmental Activities



## Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$812,151, a decrease of \$107,141 in comparison with the prior year. Approximately 91% of this total amount (\$737,437) constitutes *unreserved fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because the underlying assets are included in contractual obligations for repayment of bonds and are not available for current expenditure.

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$439,400, while total fund balance was \$716,162. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved, undesignated and total fund balance to total fund expenditures. Unreserved, undesignated fund balance and total fund balance represent approximately 12% and 20%, respectively, of total General Fund expenditures (excluding transfers out).

The fund balance of the District's General Fund decreased by \$103,903 during the current fiscal year. This decrease is primarily attributable to fewer than anticipated students, no increase in the state aid per student allotment and higher than anticipated expenditures.

### General Fund Budgetary Highlights

The following were differences between the original and final amended budgets (all numbers are approximate):

- Property taxes, original budget \$735,000, amended budget \$929,000; attributable to error in figuring the original budget and many corrections made by Emmet County.
- State school aid, original budget \$2,134,600, amended budget \$1,930,600; attributable to ties to property tax amount and fewer than anticipated students.
- Driver's training, original budget \$6,500, amended budget \$200; attributable to the discontinuance of the program.
- Compensatory education – employee benefits, original budget \$60,800, amended budget \$77,500; attributable to the addition of benefits for a teacher in that program.
- Executive administration – salaries, original budget \$113,800, amended budget \$93,000; attributable to transferring staff from executive administration to office of the principal due a layoff.

- Executive administration – employee benefits, original budget \$71,300, amended budget \$52,600; attributable to the transfer of staff in executive administration – salaries noted above.
- Office of the principal – salaries, original budget \$185,900, amended budget \$220,900; attributable to secretary change due to the layoff of less seniored secretary.
- Fiscal services – purchased services, original budget \$12,800, amended budget \$59,000; attributable to retirement of bookkeeper with services now being charged under contracted services.
- Operations and maintenance – capital outlay, original budget \$20,500, amended budget \$49,800; attributable to higher than anticipated maintenance needs.
- Transfer out, original budget \$75,000, amended budget \$0; attributable to return of transferred amount.

Differences between the final amended budget and actual revenues and expenditures were relatively minor.

### **Capital Asset and Debt Administration**

**Capital assets.** The District's investment in capital assets for its governmental activities as of June 30, 2005, amounted to \$3,971,358 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment. There were no capital asset events during the current fiscal year.

#### **Littlefield Public School Capital Assets** (net of depreciation, if applicable)

Land	\$ 6,000
Buildings	3,328,892
Site Improvements	420,623
Equipment	72,004
Vehicles	<u>143,839</u>
<b>Total</b>	<b><u>\$ 3,971,358</u></b>

Additional information on the District's capital assets can be found in note III C on pages 25-26 of this report.

**Long-term debt.** At the end of the current fiscal year, the District had total bonded debt outstanding of \$3,130,520. Of this amount, \$25,520 is a Durant resolution bond which is not a general obligation of the District and does not constitute an indebtedness of the District within any constitutional or statutory limitations, and is payable solely from state appropriations.

The District entered into four voluntary separation agreements during the current fiscal year, which increased debt by \$203,459. This increase, combined with repayments of \$252,034, resulted in the net decrease of \$48,575 (1%) during the current fiscal year.

Additional information on the District's long-term debt can be found in note III F on pages 27-28 of this report.

### **Factors Bearing on the District's Future**

The following factors were considered in preparing the District's budget for the 2005-2006 fiscal year:

- Projected number of students enrolled for the 2005/2006 fiscal year decreased to 411 (438 actual pupil count for 2004/2005 fiscal year).
- In anticipation of a continuing financial downturn in 2005-2006, several budget cuts were made in staffing levels, including the lay-off of two teachers (associated cost reduction - \$100,000), a reduction in paraprofessional time (\$16,000) and a reduction in secretarial staff (\$20,000).
- The District did not replace a teaching position which opened due to retirement, saving the District approximately \$75,000.
- The District privatized its financial services under a three-year contract, saving the District approximately \$9,000 per year.
- Student services were affected as the District has decided to cut fieldtrips that cost approximately \$6,000. The District also decided to suspend payment for class sponsors (\$7,500); nonetheless, retaining sponsors on a volunteer basis has not posed a problem. The teaching supplies budget was also reduced by \$5,000.
- The District is currently negotiating a labor agreement for teachers that expired on June 30, 2005.
- Inflationary trends in the region compare favorably to national indices.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bently Laser, Superintendent, 7400 North Street, Alanson, MI 49706.

## **BASIC FINANCIAL STATEMENTS**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**



# LITTLEFIELD PUBLIC SCHOOL

## STATEMENT OF NET ASSETS

**JUNE 30, 2005**

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### ASSETS

Cash and cash equivalents	\$ 143,467
Investments	577,952
Receivables	572,810
Capital assets, net of accumulated depreciation, if applicable	<u>3,971,358</u>

<b>Total assets</b>	<b><u>5,265,587</u></b>
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### LIABILITIES

Payables	375,235
Deferred revenue	91,032
Long-term liabilities	
Due within one year	331,148
Due in more than one year	<u>3,154,506</u>

<b>Total liabilities</b>	<b><u>3,951,921</u></b>
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### NET ASSETS

Invested in capital assets, net of related debt	840,838
Restricted for debt service	74,714
Unrestricted	<u>398,114</u>

<b>Total net assets</b>	<b><u>\$ 1,313,666</u></b>
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The accompanying notes are an integral part of these basic financial statements.

# LITTLEFIELD PUBLIC SCHOOLS

## STATEMENT OF ACTIVITIES

**FOR THE YEAR ENDED JUNE 30, 2005**

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities</b>				
Instruction	\$ 2,617,890	\$ 53,987	\$ 517,153	\$ (2,046,750)
Supporting services	1,152,065	-	2,272	(1,149,793)
Food services	137,637	46,420	105,493	14,276
Athletics	101,584	26,828	-	(74,756)
Interest on long-term debt	136,803	-	-	(136,803)
Depreciation - unallocated	143,504	-	-	(143,504)
<b>Total governmental activities</b>	<b>\$ 4,289,483</b>	<b>\$ 127,235</b>	<b>\$ 624,918</b>	<b>(3,537,330)</b>
<b>General revenues</b>				
Property taxes - operations				900,450
Property taxes - debt service				347,625
Unrestricted state aid				1,930,602
Unrestricted investment earnings				20,551
Other				127,968
<b>Total general revenues</b>				<b>3,327,196</b>
<b>Change in net assets</b>				<b>(210,134)</b>
Net assets, beginning of year				1,523,800
<b>Net assets, end of year</b>				<b>\$ 1,313,666</b>

The accompanying notes are an integral part of these basic financial statements.

## **FUND FINANCIAL STATEMENTS**

# LITTLEFIELD PUBLIC SCHOOL

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

	<u>General Fund</u>	<u>Non- Major Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 85,398	\$ 58,069	\$ 143,467
Investments	577,952	-	577,952
Due from other governmental units	509,370	63,440	572,810
<b>Total assets</b>	<b><u>\$ 1,172,720</u></b>	<b><u>\$ 121,509</u></b>	<b><u>\$ 1,294,229</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 30,269	\$ -	\$ 30,269
Salaries payable and related expenses	323,285	-	323,285
Deferred revenue	103,004	25,520	128,524
<b>Total liabilities</b>	<b><u>456,558</u></b>	<b><u>25,520</u></b>	<b><u>482,078</u></b>
<b>Fund balances</b>			
Reserved			
Debt service	-	74,714	74,714
Unreserved			
Designated			
Capital improvements	106,000	-	106,000
Retirement benefits	170,762	-	170,762
Undesignated, reported in			
General Fund	439,400	-	439,400
Special Revenue Funds	-	21,275	21,275
<b>Total fund balances</b>	<b><u>716,162</u></b>	<b><u>95,989</u></b>	<b><u>812,151</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,172,720</u></b>	<b><u>\$ 121,509</u></b>	<b><u>\$ 1,294,229</u></b>

Continued...

# LITTLEFIELD PUBLIC SCHOOL

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

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### Reconciliation of fund balances on the balance sheet for governmental funds to net assets of governmental activities on the statement of net assets

<b>Fund balances - total governmental funds</b>	<b>\$ 812,151</b>
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Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.

Add	- capital assets	6,995,185
Deduct	- accumulated depreciation	(3,023,827)

The focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add	- deferred revenues related to Durant settlement	37,492
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct	- bonds payable	(3,130,520)
	- compensated absences	(112,921)
	- early retirement	(242,213)
	- accrued interest on bonds payable	(21,681)

<b>Net assets of governmental activities</b>	<b>\$ 1,313,666</b>
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Concluded

The accompanying notes are an integral part of these basic financial statements.

**LITTLEFIELD PUBLIC SCHOOL**

**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>General</b>	<b>Non-Major Funds</b>	<b>Total</b>
<b>Revenues</b>			
Local sources	\$ 1,103,114	\$ 422,987	\$ 1,526,101
State sources	2,033,271	9,978	2,043,249
Federal sources	250,519	95,515	346,034
Interdistrict sources	126,473	-	126,473
<b>Total revenues</b>	<b>3,513,377</b>	<b>528,480</b>	<b>4,041,857</b>
<b>Expenditures</b>			
Current			
Instruction	2,416,444	-	2,416,444
Supporting services	1,107,550	-	1,107,550
Food services	-	136,804	136,804
Athletics	-	100,737	100,737
Debt service			
Principal	19,377	230,000	249,377
Interest	-	138,086	138,086
<b>Total expenditures</b>	<b>3,543,371</b>	<b>605,627</b>	<b>4,148,998</b>
<b>Revenues over (under) expenditures</b>	<b>(29,994)</b>	<b>(77,147)</b>	<b>(107,141)</b>
<b>Other financing sources (uses)</b>			
Transfers in	-	73,909	73,909
Transfers out	(73,909)	-	(73,909)
<b>Total other financing sources (uses)</b>	<b>(73,909)</b>	<b>73,909</b>	<b>-</b>
<b>Changes in fund balances</b>	<b>(103,903)</b>	<b>(3,238)</b>	<b>(107,141)</b>
Fund balances, beginning of year	820,065	99,227	919,292
<b>Fund balances, end of year</b>	<b>\$ 716,162</b>	<b>\$ 95,989</b>	<b>\$ 812,151</b>

Continued...

**LITTLEFIELD PUBLIC SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2005**

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**Reconciliation of the statement of revenues, expenditures and changes in fund  
balances of governmental funds to the statement of activities**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (107,141)</b>
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Amounts reported for *governmental activities* in the statement of activities  
are different because

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives and reported as depreciation expense.

Deduct - depreciation expense	(190,343)
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Revenues in the statement of activities that do not provide current  
revenues in the funds, but rather are deferred to a future fiscal year.

Add - deferred revenue related to Durant settlement	37,492
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Bond proceeds provide current financial resources to governmental funds in the  
period issued, but issuing increases long-term liabilities in the statement of net  
assets. Repayment of bond principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the statement of net  
assets.

Add - principal payments on long-term liabilities	230,000
---	---------

Some expenses reported in the statement of activities do not require the use of  
current financial resources and therefore are not reported as expenditures in the  
funds.

Deduct - net increase in the accrual for retirement incentives	(184,082)
Add - decrease in accrued interest payable on bonds	1,283
Add - decrease in the accrual for compensated absences	2,657

<b>Change in net assets of governmental activities</b>	<b><u>\$ (210,134)</u></b>
--	----------------------------

Concluded

The accompanying notes are an integral part of these basic financial statements.

# LITTLEFIELD PUBLIC SCHOOL

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Budget		Actual	Variance - Positive (Negative) Amended to Actual
	Original	Amended		
<b>Revenues</b>				
Local sources	\$ 815,000	\$ 1,136,110	\$ 1,103,114	\$ (32,996)
State sources	2,242,643	2,033,263	2,033,271	8
Federal sources	251,854	245,791	250,519	4,728
Interdistrict sources	126,974	126,472	126,473	1
<b>Total revenues</b>	<b>3,436,471</b>	<b>3,541,636</b>	<b>3,513,377</b>	<b>(28,259)</b>
<b>Expenditures</b>				
Education				
Instruction	2,406,489	2,414,573	2,416,444	(1,871)
Support services	1,086,834	1,112,267	1,107,550	4,717
Debt service				
Principal	-	18,000	19,377	(1,377)
<b>Total expenditures</b>	<b>3,493,323</b>	<b>3,544,840</b>	<b>3,543,371</b>	<b>1,469</b>
<b>Revenues over (under) expenditures</b>	<b>(56,852)</b>	<b>(3,204)</b>	<b>(29,994)</b>	<b>(26,790)</b>
<b>Other financing uses</b>				
Transfers out	(75,000)	-	(73,909)	(73,909)
<b>Changes in fund balance</b>	<b>(131,852)</b>	<b>(3,204)</b>	<b>(103,903)</b>	<b>(100,699)</b>
Fund balance, beginning of year	820,065	820,065	820,065	-
<b>Fund balance, end of year</b>	<b>\$ 688,213</b>	<b>\$ 816,861</b>	<b>\$ 716,162</b>	<b>\$ (100,699)</b>

The accompanying notes are an integral part of these basic financial statements.



**LITTLEFIELD PUBLIC SCHOOL**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**

**JUNE 30, 2005**

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**ASSETS**

Cash and cash equivalents

**\$ 42,420**

**LIABILITIES**

Scholarship payable

\$ 2,337

Due to student groups

40,083

**Total liabilities**

**\$ 42,420**

The accompanying notes are an integral part of these basic financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

**LITTLEFIELD PUBLIC SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

Littlefield Public School (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

**B. District-wide and fund financial statements**

The District-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended 2005.

The statement of activities demonstrates the degree to which the direct expenses, of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for the agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# LITTLEFIELD PUBLIC SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

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Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement type grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

The *Special Revenue Funds* account for the various food service and athletic programs sponsored by the District.

The *Debt Service Funds* account for the principal and interest payments on the bonds used to finance various construction projects in the District.

The *Agency Fund* accounts for assets held for other groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**LITTLEFIELD PUBLIC SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

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The effect of interfund activity has been eliminated from the District-wide financial statements.

**D. Assets, liabilities and equity**

**1. Deposits and investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

**2. Capital assets**

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Site Improvements	20
Equipment	5-20
Vehicles and Buses	8

**3. Termination benefits**

Compensated absences

District policy permits certain employees, including teachers and support staff, to accumulate earned but unused sick pay benefits, which are paid when the employee separates from service with the District. All sick time is accrued when incurred in the District-wide statements.

No liability is recorded in the District-wide statements for accumulated vacation since hours earned do not vest.

**LITTLEFIELD PUBLIC SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

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*Special termination benefit*

Occasionally, the District offers special incentives to employees during a brief period to encourage early retirement. All special termination benefits are accrued when incurred in the District-wide statements.

**4. *Long-term obligations***

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**5. *Fund equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and each special revenue fund. All annual appropriations lapse at fiscal year end.

The General Fund and each special revenue fund are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General Fund and each special revenue fund are adopted on a functional basis.

**LITTLEFIELD PUBLIC SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**B. Excess of expenditures over appropriations**

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

A reconciliation of cash and cash equivalents and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Statement of Net Assets	
Cash and cash equivalents	\$ 143,467
Investments	<u>577,952</u>
Total Statement of Net Assets	721,419
Statement of Fiduciary Net Assets	
Agency Funds	
Cash and cash equivalents	<u>42,420</u>
<b>Total cash and cash equivalents and investments</b>	<b><u>\$ 763,839</u></b>
Bank deposits	\$ 185,887
Investments in securities and mutual funds	<u>577,952</u>
<b>Total deposits and investments</b>	<b><u>\$ 763,839</u></b>

State statutes authorize the District to invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the state. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.

# LITTLEFIELD PUBLIC SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

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- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The District's investment policy allows for all of these types of investments.

The District chooses to disclose its investments by specifically identifying each. As of year end, the District had the following deposits and investments:

<u>Deposit/Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Bank deposits	n/a	\$ 185,887	n/a
Michigan Liquid Asset Fund	n/a	<u>577,952</u>	S&P – AAAM
		<u><u>\$ 763,839</u></u>	

### Investment and deposit risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial credit risk. As of year end, \$207,181 of the District's bank balance of \$307,181 was exposed to custodial credit risk because it was uninsured and uncollateralized.



**LITTLEFIELD PUBLIC SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

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*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The District's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

**B. Receivables**

Receivables in the governmental activities are entirely due from other governments.

**C. Capital assets**

Capital assets activity for the year ended June 30, 2005 was as follows:

	<b><u>Balance July 1, 2004</u></b>	<b><u>Additions</u></b>	<b><u>Balance June 30, 2005</u></b>
<b>Capital assets not being depreciated</b>			
Land	\$ 6,000	\$ -	\$ 6,000
<b>Capital assets being depreciated</b>			
Buildings	5,806,555	-	5,806,555
Site improvements	572,618	-	572,618
Equipment	254,020	-	254,020
Vehicles and buses	<u>355,992</u>	<u>-</u>	<u>355,992</u>
<b>Total capital assets being depreciated</b>	<b><u>6,989,185</u></b>	<b><u>-</u></b>	<b><u>6,989,185</u></b>

**LITTLEFIELD PUBLIC SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<b>Balance July 1, 2004</b>	<b>Additions</b>	<b>Balance June 30, 2005</b>
<b>Accumulated depreciation</b>			
Buildings	\$ (2,361,874)	\$ (115,789)	\$ (2,477,663)
Site improvements	(124,217)	(27,778)	(151,995)
Equipment	(168,579)	(13,437)	(182,016)
Vehicles and buses	(178,814)	(33,339)	(212,153)
<b>Total accumulated Depreciation</b>	<b><u>(2,833,484)</u></b>	<b><u>(190,343)</u></b>	<b><u>(3,023,827)</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>4,155,701</u></b>	<b><u>(190,343)</u></b>	<b><u>3,965,358</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 4,161,701</u></b>	<b><u>\$ (190,343)</u></b>	<b><u>\$ 3,971,358</u></b>

Depreciation expense was charged to functions/programs of the District as follows:

Supporting services	\$ 45,159
Food service	833
Athletics	847
Depreciation – unallocated	<u>143,504</u>
<b>Total depreciation expense</b>	<b><u>\$ 190,343</u></b>

**D. Payables**

Payables are comprised of the following at June 30, 2005:

Accounts payable	\$ 30,269
Salaries payable and related expenses	323,285
Accrued expenses	<u>21,681</u>
<b>Total payables</b>	<b><u>\$ 375,235</u></b>

# LITTLEFIELD PUBLIC SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

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### E. Interfund transfers

Transfers are used to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2005, interfund transfers consisted of \$73,909 in transfers from the General Fund to the Nonmajor Special Revenue Athletics Fund to subsidize the athletic program.

### F. Long-Term Debt

Long-term debt of the District consists of the following as of June 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
<b>Bonds payable</b>					
General obligation debt	\$3,335,000	\$ -	\$ 230,000	\$3,105,000	\$ 250,000
Durant resolution debt	<u>25,520</u>	<u>-</u>	<u>-</u>	<u>25,520</u>	<u>16,110</u>
<b>Total bonds payable</b>	<b><u>3,360,520</u></b>	<b><u>-</u></b>	<b><u>230,000</u></b>	<b><u>3,130,520</u></b>	<b><u>266,110</u></b>
<b>Other liabilities</b>					
Compensated absences	115,578	-	2,657	112,921	448
Special termination benefit	<u>58,131</u>	<u>203,459</u>	<u>19,377</u>	<u>242,213</u>	<u>64,590</u>
<b>Total other liabilities</b>	<b><u>173,709</u></b>	<b><u>203,459</u></b>	<b><u>22,034</u></b>	<b><u>355,134</u></b>	<b><u>65,038</u></b>
<b>Total long-term liabilities</b>	<b><u>\$3,534,229</u></b>	<b><u>\$ 203,459</u></b>	<b><u>\$ 252,034</u></b>	<b><u>\$3,485,654</u></b>	<b><u>\$ 331,148</u></b>

Long-term liabilities are as follows as of June 30, 2005:

#### General Obligation Bonds

1999 Building and Site Construction Bonds, due through May 1, 2014 with annual principal payments ranging from \$250,000 - \$400,000 and semi-annual installments of interest with rates ranging from 4.15% to 4.375%.

\$3,105,000

**LITTLEFIELD PUBLIC SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Durant Resolution Bond**

Durant Settlement Bonds, due through May 18, 2008 in annual installments of \$4,987 including interest at 4.761%.

\$ 25,520

**Total bonds** **3,130,520**

Other liabilities 355,134

**Total long-term liabilities** **\$3,485,654**

The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service. During the year ended June 30, 2003, the State postponed all Durant debt service requirements. No debt service is required for May 15, 2003, 2004, or 2005. The debt service payments will resume in 2006.

**Bond debt service requirements**

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

<b>Years Ending June 30,</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2006	\$ 266,110	\$ 132,712	\$ 398,822
2007	279,529	119,644	399,173
2008	309,881	108,765	418,646
2009	330,000	96,330	426,330
2010	360,000	83,130	443,130
2011-2014	<u>1,585,000</u>	<u>173,070</u>	<u>1,758,070</u>
<b>Total</b>	<b><u>\$ 3,130,520</u></b>	<b><u>\$ 713,651</u></b>	<b><u>\$ 3,844,171</u></b>

Compensated absences and special termination benefits are generally liquidated by the General Fund.

**LITTLEFIELD PUBLIC SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION**

**A. Risk management**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

**B. Property taxes**

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. School related property taxes are levied on December 1 each year, based on the previous years assessment, by township governments whose boundaries include property within the District, and are due on February 28. Delinquent real taxes are advanced to the District by the Revolving Tax Fund of the applicable County. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year end, if any.

**C. Defined benefit pension plan**

**Plan Description**

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

**LITTLEFIELD PUBLIC SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Funding Policy**

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 14.87% of annual covered payroll. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The District's contributions to MPSERS for the years ended June 30, 2005, 2004 and 2003 were \$291,290, \$272,146, and \$270,450, respectively, equal to the required contributions for each year.

**Other Post-employment Benefits**

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the District. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

**D. Commitments and contingencies**

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.

**LITTLEFIELD PUBLIC SCHOOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

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As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2005.

As of June 30, 2005 the District was in the process of negotiating a contract settlement with the bargaining unit representing the teaching personnel, including counselors and librarians, for the contract that expired June 30, 2005. No financial estimate of any possible settlement could be made as of June 30, 2005, and accordingly, no accrual has been made in the financial statements.

\* \* \* \* \*

## **SUPPLEMENTARY INFORMATION**



# LITTLEFIELD PUBLIC SCHOOL

## COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		
			1999 School Building And Site Construction	Durant Settlement	Total
	<u>Food Service</u>	<u>Athletics</u>			
<b>ASSETS</b>					
<b>Assets</b>					
Cash and cash equivalents	\$ 20,001	\$ -	\$ 38,068	\$ -	\$ 58,069
Due from other governmental units	1,274	-	36,646	25,520	63,440
<b>Total assets</b>	<b>\$ 21,275</b>	<b>\$ -</b>	<b>\$ 74,714</b>	<b>\$ 25,520</b>	<b>\$ 121,509</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Deferred revenue	\$ -	\$ -	\$ -	\$ 25,520	\$ 25,520
<b>Fund balances</b>					
Fund balances					
Reserved for debt service	-	-	74,714	-	74,714
Unreserved, undesignated	21,275	-	-	-	21,275
<b>Total fund balances</b>	<b>21,275</b>	<b>-</b>	<b>74,714</b>	<b>-</b>	<b>95,989</b>
<b>Total liabilities and fund balances</b>	<b>\$ 21,275</b>	<b>\$ -</b>	<b>\$ 74,714</b>	<b>\$ 25,520</b>	<b>\$ 121,509</b>

# LITTLEFIELD PUBLIC SCHOOL

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		
			1999 School Building And Site Construction	Durant Settlement	Total
	<u>Food Service</u>	<u>Athletics</u>			
<b>Revenues</b>					
Local sources					
Property taxes	\$ -	\$ -	\$ 347,625	\$ -	\$ 347,625
Charges for services	46,420	26,828	-	-	73,248
Interest income	107	-	2,007	-	2,114
State sources	9,978	-	-	-	9,978
Federal sources	95,515	-	-	-	95,515
<b>Total revenues</b>	<b>152,020</b>	<b>26,828</b>	<b>349,632</b>	<b>-</b>	<b>528,480</b>
<b>Expenditures</b>					
Current					
Food services	136,804	-	-	-	136,804
Athletics	-	100,737	-	-	100,737
Debt service					
Principal	-	-	230,000	-	230,000
Interest	-	-	138,086	-	138,086
<b>Total expenditures</b>	<b>136,804</b>	<b>100,737</b>	<b>368,086</b>	<b>-</b>	<b>605,627</b>
<b>Revenues over (under) expenditures</b>	<b>15,216</b>	<b>(73,909)</b>	<b>(18,454)</b>	<b>-</b>	<b>(77,147)</b>
<b>Other financing sources</b>					
Transfers in	-	73,909	-	-	73,909
<b>Changes in fund balances</b>	<b>15,216</b>	<b>-</b>	<b>(18,454)</b>	<b>-</b>	<b>(3,238)</b>
Fund balances, beginning of year	6,059	-	93,168	-	99,227
<b>Fund balances, end of year</b>	<b>\$ 21,275</b>	<b>\$ -</b>	<b>\$ 74,714</b>	<b>\$ -</b>	<b>\$ 95,989</b>

# LITTLEFIELD PUBLIC SCHOOL

## BALANCE SHEET GENERAL FUND

JUNE 30, 2005

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ASSETS	
Cash and cash equivalents	\$ 85,398
Investments	577,952
Due from other governmental units	<u>509,370</u>
<b>Total assets</b>	<b><u>\$ 1,172,720</u></b>
LIABILITIES AND FUND BALANCE	
<b>Liabilities</b>	
Accounts payable	\$ 30,269
Salaries payable and related expenses	323,285
Deferred revenue	<u>103,004</u>
<b>Total liabilities</b>	<b><u>456,558</u></b>
<b>Fund balance</b>	
Fund balance	
Unreserved	
Designated	
Capital improvements	106,000
Retirement benefits	170,762
Undesignated	<u>439,400</u>
<b>Total fund balance</b>	<b><u>716,162</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 1,172,720</u></b>

# LITTLEFIELD PUBLIC SCHOOL

## SCHEDULE OF REVENUES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

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### Revenues

#### Local sources

Property taxes	\$ 900,450
Charges for service	53,987
Interest	18,437
Other local revenue	<u>130,240</u>

#### Total local sources

1,103,114

#### State sources

State school aid	1,930,602
Other state revenue	<u>102,669</u>

#### Total state sources

2,033,271

#### Federal sources

Title I	191,155
Title II	50,929
Title V	1,504
Drug Free Grant	3,180
Other	<u>3,751</u>

#### Total federal sources

250,519

#### Interdistrict sources

126,473

#### Total revenues

\$ 3,513,377

# LITTLEFIELD PUBLIC SCHOOL

## SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

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### Expenditures

#### Instruction

##### Basic programs

##### Elementary

Salaries	\$ 510,346
Employee benefits	246,466
Purchased services	9,779

<b>Total elementary</b>	<b>785,256</b>
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##### Secondary

Salaries	533,485
Employee benefits	241,955
Purchased services	61,589
Supplies and materials	19,142

<b>Total secondary</b>	<b>856,171</b>
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##### Driver's training

Salaries	128
Employee benefits	29

<b>Total driver's training</b>	<b>157</b>
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<b>Total basic programs</b>	<b>1,641,584</b>
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##### Added needs

##### Special education

Salaries	219,412
Employee benefits	113,898
Purchased services	939
Supplies and materials	1,253

<b>Total special education</b>	<b>335,502</b>
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##### Vocational education

<b>Purchased services</b>	<b>126,472</b>
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##### Compensatory education

Salaries	135,569
Employee benefits	77,500
Purchased services	532
Supplies and materials	600

<b>Total compensatory education</b>	<b>214,201</b>
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Continued...

# LITTLEFIELD PUBLIC SCHOOL

## SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

<b>At risk</b>	
Salaries	\$ 56,694
Employee benefits	27,094
Purchased services	14,897
<b>Total at risk</b>	<b>98,685</b>
<b>Total added needs</b>	<b>774,860</b>
<b>Total instruction</b>	<b>2,416,444</b>
<b>Supporting services</b>	
<b>Other pupil support services</b>	
Salaries	40,828
Employee benefits	25,412
Supplies and materials	1,864
<b>Total other pupil support services</b>	<b>68,104</b>
<b>Instructional staff</b>	
Purchased services	3,867
<b>Technology</b>	
Purchased services	2,909
<b>General administration</b>	
<b>Board of education</b>	
Salaries	5,021
Purchased services	28,348
Supplies and materials	3,208
<b>Total board of education</b>	<b>36,577</b>
<b>Executive administration</b>	
Salaries	92,983
Employee benefits	51,247
Purchased services	7,152
Supplies and materials	3,163
<b>Total executive administration</b>	<b>154,545</b>
<b>Total general administration</b>	<b>191,122</b>

Continued...

# LITTLEFIELD PUBLIC SCHOOL

## SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

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<b>School administration</b>	
<b>Office of the principal</b>	
Salaries	\$ 220,932
Employee benefits	109,845
Purchased services	3,134
Supplies and materials	2,671
Capital outlay	132
<b>Total office of the principal</b>	<b>336,714</b>
<b>Business services</b>	
<b>Fiscal services</b>	
Purchased services	59,032
Supplies and materials	322
<b>Total fiscal services</b>	<b>59,354</b>
<b>Other business services</b>	
Purchased services	13,024
<b>Total business services</b>	<b>72,378</b>
<b>Operations and maintenance</b>	
Salaries	17,022
Employee benefits	3,788
Purchased services	136,358
Supplies and materials	102,719
Capital outlay	48,097
<b>Total operations and maintenance</b>	<b>307,984</b>
<b>Pupil transportation services</b>	
Salaries	55,841
Employee benefits	45,216
Purchased services	6,624
Supplies and materials	16,791
<b>Total pupil transportation services</b>	<b>124,472</b>
<b>Total supporting services</b>	<b>1,107,550</b>
<b>Total operating expenditures</b>	<b>3,523,994</b>

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Continued...

# **LITTLEFIELD PUBLIC SCHOOL**

## **SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

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Debt service	
Principal - early retirement incentives	<u>\$      19,377</u>
Total expenditures	3,543,371
Other financing uses	
Transfer out	<u>73,909</u>
Total expenditures and other financing uses	<u><u>\$  3,617,280</u></u>
	Concluded



**LITTLEFIELD PUBLIC SCHOOL**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**

**FOR THE YEAR ENDED JUNE 30, 2005**

	Balances July 1, 2004	Receipts	Disbursements	Balances June 30, 2005
<b>ASSETS</b>				
Cash	<u>\$ 39,905</u>	<u>\$ 51,581</u>	<u>\$ 49,066</u>	<u>\$ 42,420</u>
<b>LIABILITIES</b>				
Due to student groups				
Elementary school groups	\$ 7,966	\$ 9,914	\$ 10,969	\$ 6,911
High school groups	29,120	41,649	37,597	33,172
Scholarship payable	<u>2,819</u>	<u>18</u>	<u>500</u>	<u>2,337</u>
<b>Total liabilities</b>	<u><b>\$ 39,905</b></u>	<u><b>\$ 51,581</b></u>	<u><b>\$ 49,066</b></u>	<u><b>\$ 42,420</b></u>
The balances at June 30, 2005 consist of the following				
<b>Due to student groups</b>				
<b>High school groups</b>				
Art	\$ 5	\$ 249	\$ 256	\$ (2)
Band	2,672	-	3	2,669
Cheerleaders	31	-	-	31
Class of 2005	6,976	9,261	16,237	-
Class of 2006	4,897	8,465	3,811	9,551
Class of 2007	3,842	5,843	2,520	7,165
Class of 2008	501	1,297	612	1,186
Class of 2009	-	108	-	108
Drama Club	85	-	85	-
General	232	554	701	85
Horticulture	613	1,297	1,000	910
Jeans Day Fund	1,360	397	-	1,757
Junior Achievement	100	700	100	700
Library	85	-	-	85
Parents for Safe Graduation	50	52	-	102
Physical Education	783	85	-	868
Baseball Team	26	271	296	1
Softball Team	55	678	733	-
Boys Basketball	-	107	8	99
Girls Basketball	-	441	292	149
Golf Team	1,600	-	-	1,600
Student Assistance	512	-	400	112
Student Council	(3)	3	-	-
National Honor Society	283	165	109	339
W.I.S.E.	331	-	-	331
Yearbook	3,227	9,224	7,874	4,577
Vending Machines	<u>857</u>	<u>2,452</u>	<u>2,560</u>	<u>749</u>
<b>Total high school groups</b>	<u><b>29,120</b></u>	<u><b>41,649</b></u>	<u><b>37,597</b></u>	<u><b>33,172</b></u>
<b>Elementary school groups</b>				
Elementary Activity	534	2,260	2,370	424
Elementary Jeans Day Fund	830	109	-	939
Sixth Grade	436	455	591	300
Upper elementary	<u>6,166</u>	<u>7,090</u>	<u>8,008</u>	<u>5,248</u>
<b>Total elementary school groups</b>	<u><b>7,966</b></u>	<u><b>9,914</b></u>	<u><b>10,969</b></u>	<u><b>6,911</b></u>
<b>Scholarship payable</b>				
Harold G Sellers Scholarship	<u><b>2,819</b></u>	<u><b>18</b></u>	<u><b>500</b></u>	<u><b>2,337</b></u>
<b>Total liabilities</b>	<u><b>\$ 39,905</b></u>	<u><b>\$ 51,581</b></u>	<u><b>\$ 49,066</b></u>	<u><b>\$ 42,420</b></u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

July 28, 2005

Board of Education  
Littlefield Public School  
Alanson, Michigan

We have audited the financial statements of *Littlefield Public School* (the "District") as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. The reportable condition is described as follows:

Due to staff size, there is limited segregation of duties over cash receipts and disbursements and the recording of these transactions. The District recognizes this risk, but no change will be implemented because the costs would exceed the benefits.

We also noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated July 28, 2005.

### **Compliance and other matters**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

July 28, 2005

Superintendent and Members of  
the Board of Education  
Littlefield Public School  
Alanson, MI

Through our role in performing financial statement services for the past several years, we have become familiar with your systems, operations and management team. As we work with our clients, we strive to provide direction and constructive feedback to help facilitate their success. The better we get to know you and your objectives, the more we can offer in terms of proactive advice.

In planning and performing our audit of the financial statements of ***Littlefield Public School*** for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during the above-mentioned engagement, we became aware of opportunities for strengthening controls and improving operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated July 28, 2005 on the financial statements of ***Littlefield Public School***.

We have already discussed these comments with the Superintendent and Bookkeeper, and we would be pleased to discuss them in further detail at your convenience.

If we can be of assistance, we hope you will view us as an integral part of your team.

Best wishes for a successful 2005-2006.

Encl.1

## **ALTERNATIVE PROCEDURES – RELATING TO THE LACK OF SEGREGATION OF DUTIES**

Because the District has a limited number of employees with accounting responsibilities, a lack of segregation of duties exists over cash receipts and disbursements. We have disclosed this reportable condition in the Independent Auditors' Report on Internal Control and Compliance. Because the cost of adding staff is not a viable alternative for the District (cost greater than benefit), we recommend heightened oversight responsibilities on the part of the Superintendent and the Board of Education with respect to financial accounting and reporting. Currently, the Board of Education reviews and approves expenditures; however, we have noted gaps in the check sequence provided by the Board as noted in the minutes. We recommend that the Board be provided with a report of *all* expenditures, including all checks written and electronic fund transfers executed on a monthly basis, even though expenses such as payroll and related liabilities have been "pre-approved" by the Board for payment. Gaps in the check sequence, such as voided checks, should be explained. Furthermore, we recommend that the Superintendent review all bank reconciliations and sign with approval. The system currently in place at the District provides for the Bookkeeper to process checks and the Superintendent or a Board member to sign checks. Since we have recommended that the oversight responsibility of reviewing reconciliations rest with the Superintendent, we suggest that the District consider requiring a second signature on all checks or checks exceeding a reasonable amount as set by the Board of Education.

## **NO CHILD LEFT BEHIND – REQUIREMENT REMINDER**

No Child Left Behind Act (NCLB Act) enacted on January 8, 2002, required that all paraprofessionals hired after January 8, 2002 must have (1) completed two years of study at an institution of higher education; (2) obtained an associate's (or higher) degree; or (3) met a rigorous standard of quality and be able to demonstrate, through a formal State or local academic assessment, knowledge of and the ability to assist in instructing reading, writing, and mathematics (or, as appropriate, reading readiness, writing readiness, and mathematics readiness). Paraprofessionals hired before January 8, 2002 and working in a program supported with Title I funds also must meet these requirements by January 8, 2006.

## **MICHIGAN FINANCE QUALIFYING STATEMENT**

Beginning January 1, 2004, all governmental units subject to the Revised Municipal Finance Act (PA 34 of 2001) must submit their qualifying statement electronically using the Department of Treasury's website. This report is required to be filed with the department within 6 months from the end of your fiscal year.

## **ELECTRONICALLY FILING THE FINANCIAL STATEMENTS**

Beginning with the fiscal year ended June 30, 2005, the District must submit their financial statements to the State of Michigan electronically. To do so, the financial statements must be created electronically in an Adobe Acrobat file. This file may also be forwarded to bond counsel for preparation of the SEC continuing disclosures. We will provide an electronic version of the financial statements for your use.

## CONCLUSION

It has been a pleasure to provide audit services to *Littlefield Public School*. Management was prepared for the audit, providing us with a reasonably adjusted trial balance and all supporting documents requested. Thank you for providing all requested information.

We appreciate your business! Thank you.